

Technical Note
Gross Domestic Product, First Quarter 2004 (Advance)
April 29, 2004

This technical note provides background information about the source data and estimating methods used to produce the estimates presented in the GDP news release; the note also provides some perspective on the estimates. Additional material is available on BEA's Web site <www.bea.gov>. In a few weeks, the estimates will be published in BEA's monthly journal, the *Survey of Current Business*. The *Survey* also will provide a more detailed analysis of the estimates ("The Business Situation").

Gross Domestic Product

Real GDP: Based on data available at this time, BEA estimates that real GDP increased 4.2 percent (annual rate) in the first quarter of 2004 after increasing 4.1 percent in the fourth quarter of 2003. The slight acceleration in real GDP growth reflected a deceleration in imports, an upturn in government spending, and an acceleration in consumer spending that were largely offset by decelerations in exports, in inventory investment, and in residential fixed investment.

Real final sales of domestic product -- GDP less change in private inventories -- increased 3.9 percent in the first quarter after increasing 3.4 percent in the fourth.

Prices: The price index for gross domestic purchases increased 3.2 percent in the first quarter after increasing 1.3 percent in the fourth. Energy prices were a major contributor to the acceleration. Excluding food and energy prices, the price index for gross domestic purchases increased 2.3 percent after increasing 1.5 percent. About 0.3 percentage point of the first-quarter increase in the index was accounted for by the pay raise for federal civilian and military personnel, which is treated as an increase in the price index of employee services purchased by the federal government.

Disposable personal income and personal saving: Real disposable personal income (DPI) increased 4.3 percent in the first quarter after increasing 0.5 percent in the fourth. Current-dollar DPI increased 7.7 percent after increasing 1.5 percent. The personal saving rate -- saving as a percentage of DPI -- was 1.9 percent in the first quarter, up from 1.7 percent in the fourth quarter.

Source Data for the Advance Estimate

The advance GDP estimate for the first quarter is based on source data that are incomplete and subject to revision. Three months of source data were available for consumer spending on goods; shipments of capital equipment other than aircraft; motor vehicle sales and inventories; manufacturing durables inventories; federal government outlays; and consumer, producer, and international prices. Only two months of data were available for most other key data sources; BEA's assumptions for the third month are shown in table A. For the third month of the quarter, the following assumptions were made:

- C a small increase in nondurable manufacturing inventories,
- C an increase in non-motor-vehicle merchant wholesale and retail inventories,
- C an increase in imports of goods, excluding gold, and
- C an increase in exports of goods, excluding gold.

Annual NIPA Revision and Schedule for Revised Estimates of Wages and Salaries

Annual revision: The annual revision of the national income and product accounts, covering the first quarter of 2001 through the first quarter of 2004, will be released along with the "advance" estimate of GDP for the second quarter of 2004 on July 30.

Wages and salaries: Beginning on May 27, 2004, BEA will accelerate by one month revisions to the estimates of wages and salaries for the prior quarter. The revised estimates will be released along with the "preliminary" GDP estimates instead of the "final" estimates. These revisions incorporate wage and salary tabulations of employees covered by state unemployment insurance from the Bureau of Labor Statistics. The accelerated schedule reflects the more timely availability of the BLS tabulations.

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Table A. KEY ASSUMPTIONS FOR THE ADVANCE ESTIMATE OF GDP
FOR THE FIRST QUARTER OF 2004

For many of the key series used to prepare the advance estimate of GDP, including retail sales, unit automobile and truck sales and inventories, manufacturers' shipments of nondefense capital goods (other than aircraft), manufacturers' inventories of durable goods, federal defense spending, and consumer, producer, and international price indexes, actual data are available for all months of the quarter.

For the key series shown in this table, actual data for the third month of the quarter usually are not available in time for inclusion in the advance GDP estimate. BEA makes assumptions for the source data that are not yet available; assumptions for March 2004 are shown in the last column of the table. For most series shown, the data for February are preliminary and subject to further revision. Occasionally, the data for earlier months are also subject to revision.

All series shown in the table are in billions of dollars, seasonally adjusted at annual rates, and are published by the Bureau of the Census.

	Oct.	2003 Nov.	Dec.	Jan.	2004 Feb.	Mar. *
Private fixed investment:						
Nonresidential structures:						
1 Value of new total private construction put in place less residential (inc. improvements)...	217.7	215.7	217.3	213.4	215.8	214.6
Equipment and software:						
2 Manufacturers' shipments of complete aircraft.....	25.9	33.1	27.1	26.6	26.8	29.5
Residential structures:						
Value of new residential construction put in place:						
3 Single family.....	324.4	332.8	339.3	339.2	337.6	345.4
4 Multifamily.....	34.7	34.6	34.1	33.5	33.8	34.6
Change in private inventories:						
5 Change in inventories for nondurable manufacturing.....	-3.4	4.6	-12.9	13.4	13.0	0.5
5a Change in inventories for merchant wholesale and retail industries other than motor vehicles and equipment	14.4	33.0	24.3	1.0	43.5	34.0

Net exports:

Exports of goods:

6	U.S. exports of goods, international-transactions- accounts basis.....	739.9	764.7	755.5	742.6	780.7	788.9
6a	Excluding gold.....	734.9	760.2	751.0	737.5	776.7	784.8

Imports of goods:

7	U.S. imports of goods, international-transactions- accounts basis.....	1304.9	1292.0	1330.6	1324.8	1347.6	1381.0
7a	Excluding gold.....	1300.9	1288.0	1327.3	1320.7	1343.1	1376.4

8	Net exports of goods.....	-565.1	-527.3	-575.1	-582.2	-566.8	-592.1
8a	Excluding gold.....	-566.0	-527.7	-576.4	-583.2	-566.4	-591.6

Government:

State and local:

Structures:

9	Value of new construction put in place.....	202.3	199.2	195.4	191.9	190.9	191.4
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*Assumption.